

**SOFTWARE RADIO TECHNOLOGY PLC**  
**(“SRT” or the “Company”)**  
**(AIM: SRT)**

**FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014**

SRT, the AIM-quoted provider of maritime domain awareness technologies, products and solutions, announces its results for the year ended 31 March 2014.

**FINANCIAL SUMMARY**

- Revenues of £6.1 million – expected project and mandate business delayed into new financial year
- Loss before tax of £1.5 million
- Gross profit margin of 43% - high revenue weighting of core business with lower margin than project business
- Cash overheads £4.4 million – 7% increase from previous year primarily due to acquisition of GeoVS in October 2013

**OPERATIONAL HIGHLIGHTS**

- Acquisition and integration of GeoVS – added network and display capability to SRT product portfolio
- Customer base increased
- Multiple customer module integration projects supported and completed
- AtoN product range expanded and successfully launched
- Significant increase in active project and mandate opportunities

Commenting on today’s results, Simon Rogers, Chairman of SRT said: “As reported in January, unexpected implementation timing changes to two significant projects resulted in disappointing financial results for the year. However these projects have now reached implementation stage and we were able to announce a US\$6.75 million Frame Order from the Middle East in April this year.

“Despite these challenges, we have made significant operational progress with the development of two new products, the joint development and commercialisation agreement with exactEarth and the acquisition of GeoVS. These strategic moves have enhanced and expanded our market position and enable SRT to offer complete end-to-end maritime domain system solutions to a global customer base.

“SRT is well placed to benefit from the continued adoption and implementation of AIS around the world, a market of up to 26 million leisure and commercial boats. In the future we expect to see steady long term growth in AIS adoption across the core unregulated leisure market and an increase in regulation driven projects and mandates requiring the fitting of AIS transceivers to commercial vessels. Currently we are working with our customers on active and validated AIS project and mandate market opportunities with a potential future value to SRT of approximately £200 million. We look forward to updating the market on these opportunities in due course.”

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### **About SRT:**

The SRT group develops and provides AIS based maritime domain awareness technologies, technologies, products and systems. Our solutions are used around the world in a variety of applications ranging from vessel tracking to port and infrastructure security. For more information visit [www.softwarerad.com](http://www.softwarerad.com).

### **About AIS:**

AIS (Automatic Identification System) is an international maritime domain awareness technology invented and globally proliferated by the IMO (International Maritime Organisation). AIS is a complex radio based data communications technology which allows accurate and reliable multi-point real time communication between moving and fixed entities in the marine domain. AIS is a globally adopted technology and is being deployed across a wide range of applications.

## **CHAIRMAN'S STATEMENT**

This year was financially challenging for SRT primarily due to the unexpected implementation timing changes of two significant project opportunities which resulted in us missing market expectations for revenue and profit. However, our financial performance was in stark contrast to our operational and target market progress which bodes well for the future.

Year on year, revenues decreased by 39% from £10.0 million to £6.1 million with a loss before tax of £1.5 million compared to a profit of £1.2 million in the previous year. The high weighting of our lower margin core business resulted in a gross profit margin of 43% (below our long term target of 50%). Overheads remain tightly controlled and increased to £4.4 million on a cash basis, an increase of 7%, primarily as a result of our acquisition of GeoVS Limited in October 2013.

Revenue from our core business, where demand for AIS products arises from unregulated markets such as the EU and US leisure boat segments, was flat during the year. This was primarily due to the prevailing economic conditions which depressed new boat purchases where AIS is increasingly fitted as standard. However, we achieved our distribution penetration objectives into this segment by increasing our customer base and the number of our products embedded within their respective product portfolios. Our core business is following the long term market trend for non-regulated AIS installations and therefore we expect to see steady and increasing annualised growth over the long term. Revenues derived from government-regulated project and mandate opportunities were minimal. This was primarily due to a delay in two projects which have reached their implementation phase and the enforcement lag in a mandate opportunity which moved the expected revenues into the new financial year. As expected, our new Aids to Navigation (AtoN) business and vessel tracking systems business did not contribute any significant revenues.

Our global customer base has continued to grow during the year. We support this diverse customer base with a portfolio of 20 core module and OEM platform products, which we customise to their specific requirements. Our primary operational challenge is to match component procurement and product production with end market demand and thus orders from our customers. The delays to expected project and mandated orders this year resulted in us carrying larger than expected quantities of stock for longer than expected. As the delayed and other new projects convert into orders we expect our stock position to normalise. This resulted in us drawing down on our £1 million bank facility and stocks rising to £4.2 million at cost with a year end cash position of £1.3 million.

### **Operational Review**

We have continued to execute our long term strategy of developing a core technology and product offering for the global AIS based maritime domain awareness market and embed this within a worldwide customer network with existing MDA sales channels.

During the year, we embarked on two new product developments; AtoN Express, an innovative low cost AtoN, suitable for very small buoys, and a major new AIS product platform which we expect to start shipping during the summer of 2015. In addition, we have continued to support existing customers with customising and refining their existing products to improve and differentiate their product offerings for a wide range of applications.

The year also saw us make two significant strategic moves to enhance and expand our market position. Firstly, we entered a joint development and commercialisation agreement with Canadian based AIS satellite operator, exactEarth, to develop technology to enable transmissions from small AIS transceivers to be reliably and consistently received and decoded by satellite based AIS receivers and then commercialise the

tracking data. This was a significant innovation in our core technology, resulting in a technology called ABSEA which we jointly own with exactEarth. This will enable vessels fitted with a small AIS transceiver to be tracked beyond the range of coast networks which have a typical range of up to 50 miles. SRT will benefit from a unique capability with its transceivers and a significant percentage of the revenues generated from the sale of the satellite tracking data.

The second strategic move was the acquisition of GeoVS Limited in October 2013. GeoVS is a specialist maritime displays business with a unique real time 3D visualisation technology which enhances maritime situational awareness. GeoVS enables SRT to offer complete end-to-end maritime domain system solutions which comprise transceivers, coastal networks, display systems and supplementary satellite data. The primary target of our acquisition was the core 3D visualisation technology and development team.

Since then we have expanded the team and invested in the creation of products built around the core visualisation technology which we will start delivering to the market during the current financial year.

As a result of the expansion of our customer base, product portfolio and systems offer to an increasingly broad market, we have undertaken a significant restructure and redesign of our marketing. This has included new websites, videos, brochures, product support documentation and case studies. The objective of this exercise has been to improve customer service, understanding and access to our products and provide the end market with an important reference to assist them with how they embed AIS into their maritime domain awareness, systems, projects and regulations.

Recognising that our most significant challenge is the matching of production to market demand, we have continued with our layered supply chain strategy whereby we invest in long lead time components, product kits and standard finished stock which is then customised in our premises for the specific ordering customer and market. This makes optimal use of our available capital whilst ensuring that we are able to be a reliable supplier to customers and to react quickly when project and mandate opportunities convert.

## **Market Review**

AIS is an international maritime technology standard originally developed as an anti-collision system. The standards continue to be managed and evolved by a series of independent technical committees operating under the auspices of the International Maritime Organisation. Today AIS is an established global technology which is being adopted across all marine segments and applications. These range from anti-collision as originally intended, to the tracking of fishing boats, pollution control, marine environment management, port and coastal security and search and rescue. High profile NGOs such as the World Wildlife Fund are now publically campaigning for the use of AIS to track the world's fishing vessels to be fitted with an AIS transceiver to assist with the implementation of sustainable fishing.

SRT's role in the AIS market is as the primary developer and provider of market solutions to those companies seeking to supply end market demand. Therefore our success is directly linked to end market demand for AIS products and services.

Of the world's estimated 18 million leisure boats, mostly based in Europe and USA, knowledge of AIS and its benefits has significantly grown in recent years, but we estimate that penetration remains very low at below 0.5%. Increased availability and understanding of AIS products from established vendors coupled with new applications for AIS data on smart phones, tablets and other display systems are making AIS more valuable and useful to leisure boaters. We believe that this core market is in its early stages of adoption. We expect a long term growth trajectory which will see accelerating market penetration towards an equalisation with technologies such as radar and VHF radio.

Globally there are approximately 8 million commercial vessels of varying size and type. Many countries and authorities have active plans to implement AIS as part of their long term maritime domain awareness programmes. The programmes are at different stages of planning and execution, however I am pleased to report that the number of project and mandate opportunities on which we are actively working with our customers is at an all time high with a potential future value to SRT of up to £200 million, with more expected to be added in the coming years.

As AIS has proliferated, authorities are already looking at how to enhance their benefits from the AIS system through additional applications and functionality. We believe that the next significant growth sector in the AIS market will be devices for AtoN including buoys, docks and infrastructure.

This is a new and complex area as AIS AtoN integrates with other external devices such as weather stations and lanterns located on the buoys. During the last three years, SRT has invested to develop the product range and customer network to deliver AIS AtoN to the market. We expect this market to grow into a significant new revenue contributor.

In the future we expect to see more competition entering the market. We have long expected this and it is why we have continued with an aggressive technology and product development road map to create

innovative, high quality products which our customers and the end market trust. These products and solutions are all supported by attentive and reliable customer support.

### **Employees**

With the acquisition and expansion of GeoVS, we have grown to a team of 47 full time people located in two offices: one in Cardiff and the head office in Somerset. Our capabilities across all disciplines, from sophisticated core technology development to high quality products and customer support are well known and appreciated by our customers and the end market. This reputation is entirely the result of our employees' dedication to SRT, with many going well beyond their contractual obligations in our pursuit of success. I would therefore like to take this opportunity to formally thank them for their continuing hard work.

### **Outlook and Strategy**

Our strategy remains to focus on developing AIS core technologies, from which we can manufacture and deliver a range of customisable products and system solutions to a network of customers addressing the global end market.

Whilst the last financial year was disappointing, we believe this was a short term issue caused by variable demand timing, typical of an end market in its early stages of implementation. With AIS now an internationally adopted marine technology and our position with the market well established, we believe this will translate into long term financial success for SRT.

Our core business addresses a market of up to 18 million boats, of which less than 0.5% have AIS fitted. Whilst growth will not be linear, increased adoption will drive annual sales growth towards a much higher penetration percentage commensurate with that of other marine technologies such as radar. We currently have active and validated AIS project and mandate market opportunities with a potential future value to SRT of approximately £200 million. With visibility of these opportunities improving, we can break these down regionally: North America: £17 million, South & Central America: £24 million, Europe & Russia: £9 million, Middle East: £38 million and Asia: £130 million. These are all sales opportunities which are in progress, but due to the nature of government driven regulations the exact timing remains challenging to predict. In the first month of this financial year we announced a Frame Order worth US\$6.7 million derived from one project opportunity in the Middle East. This area of our business offers significant future growth opportunities and is a focus for us, and our customers.

As end market awareness of this AIS product type grows, we expect that buoys and other maritime markers will be fitted with an AIS AtoN to complement lanterns and RACONS. We therefore expect to see a steady growth in this new revenue stream. Small but regular orders are already ahead of expectation.

Last but not least, the acquisition of GeoVS and our exactEarth agreement has opened the opportunity for SRT to develop new streams of recurring revenues through the licensing of services and data sales. This is a new area for SRT and one which will take time to develop, but is directly complementary to the sale and use of our transceivers. The initial response from our customers to this new sales opportunity has been excellent and we will now start to develop this segment.

I firmly believe that our financial performance this past year is not an indicator of the future. Our entrenched position in the AIS supply chain means that we are well placed to benefit as AIS continues to be adopted and implemented around the world.

**Simon Rogers, Chairman**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2014**

|   | Note | 2014<br>£          | 2013<br>£        |
|---|------|--------------------|------------------|
| Revenue   |      | 6,110,359          | 10,011,185       |
| Cost of sales   |      | (3,479,159)        | (5,454,532)      |
| <b>Gross profit</b>                                     |      | <u>2,631,200</u>   | <u>4,556,653</u> |
| Administrative costs                                    |      | (4,141,823)        | (3,378,669)      |
| <b>Operating (loss) / profit</b>                        |      | <u>(1,510,623)</u> | <u>1,177,984</u> |
| Finance income  |      | 4,249              | 9,087            |
| <b>(Loss) / profit before tax</b>                       |      | <u>(1,506,374)</u> | <u>1,187,071</u> |
| Income tax credit                                       |      | -                  | 316,686          |
| <b>(Loss) / profit for the year after tax</b>           |      | <u>(1,506,374)</u> | <u>1,503,757</u> |
| <b>Total comprehensive (loss) / income for the year</b> |      | <u>(1,506,374)</u> | <u>1,503,757</u> |
| <b>(Loss) / earnings per share:</b>                     | 4    |                    |                  |
| Basic   |      | (1.3)p             | 1.3p             |
| Diluted   |      | (1.3)p             | 1.3p             |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014**

|  | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
|  | <b>£</b>    | <b>£</b>    |
| <b>Assets</b>                                |             |             |
| <b>Non-current assets</b>                    |             |             |
| Intangible assets                            | 5,685,301   | 4,381,504   |
| Property, plant and equipment                | 185,397     | 130,630     |
|  | <hr/>       | <hr/>       |
| Total non-current assets                     | 5,870,698   | 4,512,134   |
| <b>Current assets</b>                        |             |             |
| Inventories                                  | 4,170,726   | 3,419,521   |
| Trade and other receivables                  | 2,620,825   | 3,449,786   |
| Cash and cash equivalents                    | 1,290,539   | 1,535,376   |
|  | <hr/>       | <hr/>       |
| Total current assets                         | 8,082,090   | 8,404,683   |
| <b>Liabilities</b>                           |             |             |
| <b>Current liabilities</b>                   |             |             |
| Trade and other payables                     | (2,023,508) | (1,437,969) |
| Financial liabilities                        | (1,000,000) | -           |
|  | <hr/>       | <hr/>       |
| Total current liabilities                    | (3,023,508) | (1,437,969) |
| <b>Net current assets</b>                    | 5,058,582   | 6,966,714   |
|  | <hr/>       | <hr/>       |
| <b>Total assets less current liabilities</b> | 10,929,280  | 11,478,848  |
|  | <hr/>       | <hr/>       |
| <b>Net assets</b>                            | 10,929,280  | 11,478,848  |
|  | <hr/>       | <hr/>       |
| <b>Shareholders' equity</b>                  |             |             |
| Share capital                                | 119,003     | 115,920     |
| Share premium account                        | 3,400,538   | 2,471,121   |
| Retained earnings                            | 1,919,143   | 3,401,211   |
| Other reserves                               | 5,490,596   | 5,490,596   |
|  | <hr/>       | <hr/>       |
| <b>Total shareholders' equity</b>            | 10,929,280  | 11,478,848  |
|  | <hr/>       | <hr/>       |

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2014**

|   | <b>2014</b><br><b>£</b> | <b>2013</b><br><b>£</b> |
|---|-------------------------|-------------------------|
| <b>Cash generated from / (used in) operating activities</b>   | 509,013                 | (157,447)               |
| Corporation tax received                                      | -                       | 316,686                 |
|   | <hr/>                   | <hr/>                   |
| <b>Net cash generated from operating activities</b>           | 509,013                 | 159,239                 |
|   | <hr/>                   | <hr/>                   |
| <b>Investing activities</b>                                   |                         |                         |
| Expenditure on product development                            | (1,596,901)             | (1,680,532)             |
| Cash acquired   | 1,973                   | -                       |
| Purchase of property, plant and equipment                     | (163,171)               | (70,987)                |
| Interest received   | 4,249                   | 9,087                   |
|   | <hr/>                   | <hr/>                   |
| <b>Net cash used in investing activities</b>                  | (1,753,850)             | (1,742,432)             |
|   | <hr/>                   | <hr/>                   |
| <b>Cash flow before financing</b>                             | (1,244,837)             | (1,583,193)             |
|   | <hr/>                   | <hr/>                   |
| <b>Financing activities</b>                                   |                         |                         |
| Short term loan   | 1,000,000               | -                       |
| Net proceeds on issue of shares                               | -                       | 2,472,367               |
|   | <hr/>                   | <hr/>                   |
| <b>Net cash generated from financing activities</b>           | 1,000,000               | 2,472,367               |
| <b>Net (decrease) / increase in cash and cash equivalents</b> | (244,837)               | 889,174                 |
| <b>Net cash and cash equivalents at beginning of year</b>     | 1,535,376               | 646,202                 |
|   | <hr/>                   | <hr/>                   |
| <b>Net cash and cash equivalents at end of year</b>           | 1,290,539               | 1,535,376               |
|   | <hr/> <hr/>             | <hr/> <hr/>             |

## Notes

### 1. Status of financial information

SRT is a public limited company incorporated in England and Wales and whose ordinary shares of 0.1p each are traded on the AIM Market of the London Stock Exchange. The Company's registered office is Wireless House, Westfield Industrial Estate, Midsomer Norton, Bath BA3 4BS.

The Board of Directors approved this preliminary announcement on 16 June 2014. Whilst the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union, this announcement does not itself contain sufficient information to comply with all the disclosure requirements of IFRS and does not constitute statutory accounts of the Company for the years ended 31 March 2014 or 31 March 2013.

The financial information has been extracted from the statutory accounts of the Company for the years ended 31 March 2014 and 31 March 2013. The auditors reported on those accounts; their reports were unqualified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis.

The statutory accounts for the year ended 31 March 2013 have been delivered to the Registrar of Companies, whereas those for the year ended 31 March 2014 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

### 2. Basis of preparation

This financial information has been prepared in accordance with the principles of International Financial Reporting Standards ("IFRS") as adopted by the European Union and International Financial Reporting Interpretations Committee ("IFRIC") recommendations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. For the purposes of the preparation of the consolidated financial information, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 April 2013. There have been no changes in accounting policies during the year. The financial information has been prepared under the historical cost convention unless otherwise stated.

### 3. Dividends

The Board is not recommending the payment of a final dividend.

### 4. (Loss) / earnings per Ordinary Share

The basic (loss) / earnings per share has been calculated on the loss on ordinary activities after taxation of £1,506,374 (2013: profit £1,503,757) divided by the weighted number of ordinary shares in issue of 117,355,526 (2013: 115,447,244).

The Group incurred a loss on ordinary activities before taxation for the year ended 31 March 2014 and therefore there is no dilution of the impact of the share options granted. During the year ended 31 March 2013 the calculation of diluted earnings per share has also been calculated on profit on ordinary activities after taxation of £1,503,757. It assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options. A calculation is performed to determine the number of shares that could have been acquired at fair value, based upon the monetary value of subscription rights to outstanding share options. The number of dilutive shares under options was 3,997,616 and the weighted average number of ordinary shares for the purposes of dilutive earnings per share was 118,190,488.

### 5. Annual Report and AGM

The Annual Report will be available from the Company's website, [www.softwarerad.com](http://www.softwarerad.com) from 17 June 2014. To locate the report, click "Media Centre" and then scroll down the page. The Annual Report and Notice of AGM will be posted to shareholders on 19 June 2014. The AGM will take place at the Centurion Hotel, Charlton Lane, Midsomer Norton, Radstock BA3 4BD at 11.00 a.m. on 15 July 2014.